

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6908

BILL NUMBER: HB 1426

NOTE PREPARED: Dec 29, 2004

BILL AMENDED:

SUBJECT: School Readiness Grant.

FIRST AUTHOR: Rep. Turner

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State&Local

Summary of Legislation: This bill provides a school readiness reimbursement grant to any parent whose child is ready to enter Grade 1 without attending a kindergarten offered by a public school.

Effective Date: July 1, 2005.

Explanation of State Expenditures: The bill provides a \$1,000 grant to any parent whose child is ready to enter 1st grade without attending a kindergarten offered by a public school. Over the last 5 years, about 8,100 more students have attended 1st grade at a public school than attended kindergarten at a public school the year before. The impact would depend on the extent that parents would choose to not attend public kindergarten but 1st grade the following year. The cost for the current 8,100 students attending 1st grade and not kindergarten would be \$8.1 M per year. The grant could encourage more parents to not send their children to public school kindergarten. If that occurred, there could be some potential savings to the state depending on the school formula enacted by the legislature.

As an example, if no students attended kindergarten in the 2005 school year, then the reduction in state tuition support would be about \$36.4 M. A reduction in property tax levies of about \$6.1 M would also occur and reduce the state expenditures for Property Tax Replacement Credits by about \$4 M. However, the cost of the \$1,000 grants the following year would be about \$80 M. [Based on the current school formula, schools in CY 2005 are guaranteed to receive a 1% increase in regular formula revenue for 2004. However, if future school formulas did not have the minimum guarantee provision that exists in the current formula, then the saving per student from a reduction in the number attending kindergarten due to the bill would be \$1,200 per student (this includes state tuition support and state Property Tax Replacement Credit savings).]

The Department of Education is required to develop an assessment to determine a child's readiness to attend 1st grade. The cost of the assessment could vary depending on the rigor of the test. The ISTEP test for Grades 3 through 10 is projected to cost about \$23.3 M for FY 2006, or about \$2.9 M per grade. If the assessment has less rigor than the ISTEP test, then the costs could be substantially less.

Explanation of State Revenues:

Explanation of Local Expenditures: Local schools may incur some additional costs in administering the 1st grade assessment and verifying that the student did not attend kindergarten.

Explanation of Local Revenues: The grant could encourage more parents to not send their children to public school kindergarten. If that occurred, there could be some potential reduction in property tax revenue depending on the school formula enacted by the legislature. As an example, if no students attended kindergarten in the 2005 school year, then the reduction in the general fund property tax levy would be about \$6.1 M.

State Agencies Affected: Department of Education.

Local Agencies Affected: Local Schools.

Information Sources: Department of Education Databases.

Fiscal Analyst: Chuck Mayfield, 317-232-4825.